

Abbott, Douglas Charles

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BUDGET SPEECH

DELIVERED BY

HONOURABLE D. C. ABBOTT

MINISTER OF FINANCE

MEMBER FOR ST. ANTOINE-WESTMOUNT

IN THE

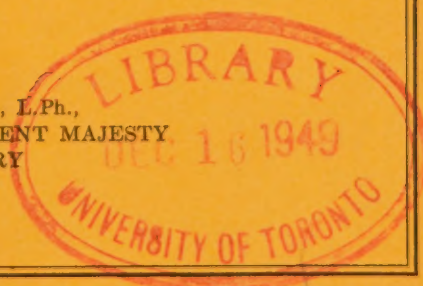
HOUSE OF COMMONS

OCTOBER 20, 1949



OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1949



BUDGET SPEECH

DELIVERED BY

HON. D. C. ABBOTT
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, OCTOBER 20, 1949

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF
THE MINISTER OF FINANCE

Hon. Douglas Abbott (Minister of Finance)
moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, in the special circumstances in which I am proposing this motion, hon. members will neither expect nor desire me to give as full or as complete a review of our economic and financial position as is customary in bringing down the annual budget. Although this is a new parliament, and more than one-third of our present members are new members, I am sure that almost all hon. members, old as well as new, are acquainted with the general trend of the exposition and with the broad lines of the proposals which I presented to the last session of the previous parliament. My task this evening, therefore, can properly be limited to three things.

First, bringing up to date the general analysis of our economic and financial position and prospects;

Second, giving the house certain revised statements and estimates of our revenues and expenditures; and

Third, re-introducing, with a few modifications, the tax changes which I proposed last March.

ECONOMIC REVIEW

First, then, may I bring up to date the general economic review which I gave to the house nearly seven months ago. A great deal has happened in this period of time. Some trends that seemed obscure then have become

clearer now, and some new developments have occurred. But taken as a whole the general assessment of the situation which I made last March has proved to be sound, and the changes in taxation which I proposed were in the right direction, and I think, about right in degree.

In so far as the trend of events on the domestic side of our economy is concerned, I have no changes to suggest in the general conclusions I had reached. Production, employment and incomes are continuing at levels as high as or higher than those upon which my budget proposals were originally predicated. Prices and the cost of living have held well within the limits I forecast. Variations in the general level of wholesale prices and in the cost of living index have been of a fractional character. The latest figure for the wholesale price index is one per cent below a year ago, and for the cost of living index two per cent above a year ago. Average hourly earnings and average weekly earnings in industry are both up about seven per cent over a year ago. So far as one can see at the moment, the net effect of the recent world-wide realignment of currency rates does not require any significant revision in my estimate that the level of prices during the current fiscal year will not vary significantly from that of last year.

It is obviously more difficult to see further into the future. Our total exports, which is one of the basic supports of our economy, were higher during the most recent twelve months' period than in any other peacetime year in our history. Nevertheless, some declines in our overseas export markets have already occurred and some further declines can hardly be avoided. The government will do everything in its power to limit this decline

in overseas trade but much will depend on the progress which our overseas customers make in overcoming their dollar difficulties.

The decrease in overseas exports has so far been more than offset by increased sales to other markets, particularly the United States. Any change in economic conditions in the United States will directly affect the level of our exports to that country. Any sharp downturn in American economic activity and in American willingness to import cannot but have sharp and embarrassing repercussions all over the world. Despite the decline in the rate of activity which took place in the earlier part of the year, United States production and incomes have been maintained at levels which have rarely been exceeded in the past. Furthermore, we must recognize the extent to which the United States has moved during the past decade toward adopting measures designed to moderate swings in economic activity. Nevertheless, we cannot afford to overlook the possibility of short run declines in the absorptive capacity of the American market.

It is with these possibilities in mind that the government is actively reviewing measures to counteract any serious downturn that might develop in our export markets and in the level of economic activity at home. As hon. members know, we have already taken steps to give still greater encouragement to housing construction, and we are in the midst of discussions with the provinces regarding both the magnitude and the timing of extensive work on the trans-Canada highway. Other development projects are also under review, so that they may be undertaken at the most appropriate time. We have also been considering measures to deal with any special situations or difficulties which have already emerged or which may emerge even though general economic activity remains high.

Nevertheless, for the balance of this fiscal year, we continue to expect high levels of employment and income, and see no reason to change the financial and fiscal policies embarked upon earlier in the year.

THE INTERNATIONAL ECONOMIC OUTLOOK

The most significant change in economic conditions since my budget speech last spring has been in the field of international trade and finance. Events have followed quickly upon one another and reached their climax one month ago with the announcement of the devaluation of the pound sterling by 30½ per cent in relation to the United States dollar. This action was followed closely by a widespread series of devaluations by other countries. The adjustments which have taken place during the past month constitute a

realignment of currencies in relation to the United States dollar, which is greater, both in scope and degree, than anything that has ever taken place before. These far-reaching changes abroad created an entirely new situation for Canada. It was immediately necessary to consider the position of the Canadian dollar and on September 19 I announced to this house the decision of the government to reduce the parity of the Canadian dollar by what works out at 9·1 per cent.

I should like to review very briefly the developments which led up to these events. Hon. members will recall that the announcement of the United Kingdom reserve position early in July revealed that a sharp fall in the dollar receipts of the sterling area had taken place during the second quarter and was still in process. The consequent drain on the central gold and dollar reserves of the sterling area had reached alarming proportions, in spite of the assistance which was being received under the Marshall plan.

This serious deterioration in the dollar position of the sterling area was much more than an isolated problem of the United Kingdom. This was a critical development in the economic relations between North America and the whole sterling area. Consequently, it was immediately decided that the situation should be examined by representatives of the United States, the United Kingdom and Canada as well as by the members of the sterling area. The discussions held early in July between the secretary of the United States treasury, the United Kingdom chancellor of the exchequer and myself as Canadian minister of finance, were followed by a meeting of commonwealth ministers of finance.

At these talks consideration was given both to short-term measures for reducing the heavy immediate drain on the central sterling area reserves and to the lines along which the longer-term and more fundamental solutions should be sought. In order to reduce the immediate dollar outgo, the commonwealth members of the sterling area agreed to endeavour to limit their dollar buying during the 1949-50 fiscal year to about 75 per cent of the 1948 rate. Canada, not being in the sterling area, of course took no part in reaching that decision. With regard to the longer-term and more positive approach, it was agreed that the objective for all of us must be the achievement of a pattern of world trade in which the dollar and non-dollar countries can live together within one single multilateral system—a system under which a balance will be achieved by the expansion and not the con-

traction of trade. As the Canadian representative, I was particularly anxious that this should be the common purpose.

It was not possible in the time available at the London talks to translate these aims into concrete measures. It was therefore agreed that this task should be resumed at tripartite economic discussions to be held in Washington in September. Hon. members are familiar with the results of the Washington meetings. I need only recall the highlights, and perhaps point to some of the significant features of what took place. I have already told hon. members about the excellent spirit of co-operation which prevailed, and about the deep realization on all sides of the importance of the issues which were at stake.

The discussions resulted in a number of specific arrangements that would help to reduce the immediate impact of the dollar deficiency, such as arrangements for ECA financing, stockpile purchases, and so forth. The main attention, however, was directed to the underlying causes of the dollar shortage and to a re-examination, by each of the three participants, of their policies in the light of these causes. It was necessary to endeavour to change the trend of events away from the repeated dollar crises which were threatening to divide the western world into two economic blocs. It was necessary to achieve an increasingly better balance in the trading relationships between the dollar and non-dollar countries instead of the widening gap with which we were being confronted. It was clear that the remedy was not to be found in the extension of further extraordinary financial assistance beyond that which was already being given under the Marshall plan and the Canadian loan. It was agreed that the solution must be sought primarily in a rapid and substantial increase in dollar earnings through an expansion of trade.

In the achievement of this necessary increase in dollar earnings, each side has an appropriate part to play. A common responsibility was clearly recognized in the Washington communiqué. The first essential, of course, was that the deficit countries should pursue policies and create incentives which would make it possible for them to expand greatly their sales to dollar areas. The dollar countries in turn would have to facilitate these efforts through the maintenance of conditions and the removal of barriers which would provide adequate opportunities in their markets. In particular, the surplus countries would have to refrain from measures which would frustrate the attempts of the deficit areas to earn their way.

I think hon. members will agree that this course of policy, charted at the Washington conference, is the guide which governments should seek to follow. We must not underestimate the magnitude of the problem. In the Washington talks it was understood that extraordinary aid from North America will come to an end in 1952. The deficit countries will have to overcome not only their present dollar drain, but over the next few years get themselves into a position where they can do without the assistance which they are now receiving.

The initial steps in the achievement of this task have been taken. The major devaluation undertaken by the United Kingdom, by virtually the whole sterling area and by many other countries, is an integral part of their determination to correct the disequilibrium in their trade by selling more to the dollar area. It gives their producers a new and greater incentive to sell in dollar markets. Where their prices were not competitive, it provides new scope to make them so. It is, of course, much too early to say what the full effects of the new situation will be. All of us, the dollar countries and the non-dollar countries, must do everything possible to enable these measures to achieve the result which is intended. On our part, we must be willing to receive the goods which our customers overseas should now be able to send to us. If we place restrictions in the way by increased tariffs or otherwise we shall defeat the purpose which, we all know, must be accomplished in our own interests.

It can be expected that a considerable part of the increased imports from the sterling area and western Europe will replace supplies which we have been buying from dollar sources. To this extent they will assist us in meeting our own dollar problem and help to bring our trade into better balance. It is possible that a part of the increased imports from overseas may result in greater competition with some of our domestic producers. Some adjustments may be necessary but this will be a small price to pay compared with the inevitable results which would flow from the inability of our customers to earn more dollars in our country. I do not need to remind hon. members how heavily the prosperity of our great primary industries, of agriculture, forestry, mining and fishing, are dependent upon adequate markets overseas. We must not expect that these markets will be maintained indefinitely through credits and gifts from this continent. Sooner or later our customers must be in the position where they are able to pay for what they buy from us, out of the proceeds of what they sell in dollar markets. We cannot afford to be short-

sighted about a matter so vital to the welfare of every industry and every region of this country.

In this general problem of how to achieve a better balance in world trade, the position of Canada is of course not the same as that of the United States. We are a dollar country, but we have our own dollar problem. We are a member neither of the dollar area nor of the sterling area, though we are inextricably linked to both. We have a large trading surplus with the sterling area and western Europe and a large trading deficit with the United States. The United States has, as for many years in the past, a substantial export surplus with the rest of the world. In Canada we now have a very small margin of safety in our international accounts as a whole. Our imports from all sources, in the broad sense of that term, are today almost as large as our exports. This is the situation which we must constantly keep in mind. Our policies should work in the direction of attempting to achieve a relative increase in our imports from non-dollar sources and an expansion of our exports to the United States. We should look to positive measures of this kind rather than to restrictive devices for the means to overcome our dollar difficulties and to achieve a better balance in our trade.

GOVERNMENT ACCOUNTS: 1948-49; 1949-50

When I brought down the budget in March, I gave to the house a series of statements showing revenues and expenditures for the fiscal year ending March 31, 1949, and estimates for the year ending March 31, 1950. The accounts for the past year—that is, the year ended March 31, 1949—have since been closed and we are now more than half way through the current fiscal year. I am therefore in a position to give to the house the final figures for 1948-49 and closer estimates of probable revenues and expenditures for the year 1949-50.

All details of our financial operations for the year ended March 31, 1949, are shown in the public accounts for that year, which are now in the hands of the king's printer and should be ready for tabling in the near future. The final figures of our revenues turned out to be \$2,771 million or \$3 million more than I estimated last March, and the final figures of expenditures were \$2,176 million or \$17 million less than I had estimated. Our surplus for last year was therefore \$595 million, or \$20 million greater than my earlier estimate.

For the convenience of hon. members and with their consent, I should like now to table and have printed as an appendix to today's *Hansard* the usual tables showing details of

revenues and expenditures for the fiscal year 1948-49 and comparable figures for each of the four preceding fiscal years, together with the balance sheet as at March 31, 1949.

I turn now to operations of the current fiscal year ending March 31 next. Six months ago my forecast of revenues for this year was \$2,800 million before taking account of any tax changes, and \$2,477.5 million after taking into account the effect of the tax changes I then announced. Since that time the yields of several of our important sources of revenue have been somewhat more buoyant than I had expected and I would now be inclined to raise my revenue forecast moderately, say to \$2,885 million before any tax changes and to \$2,550 million after allowing for the tax changes announced in March.

But there have also been offsetting changes on the expenditure side of the account. Last March I estimated total expenditures for the year at \$2,390 million. At that time I had to make a guess as to the probable amount of supplementary estimates which would be proposed at this session of parliament; we now know the exact total of those estimates, namely, \$62.7 million, and we can also make a more accurate forecast of the probable total savings in the estimates of all branches of government. Moreover, we must now take into account the effect of two new developments. The first of these is the assumption by the government of Canada of the sterling debt (the 3 per cent guaranteed stock) of Newfoundland, in accordance with the terms of union, which became effective at the beginning of this fiscal year. This transaction has added \$62.3 million to the net debt of Canada and for bookkeeping purposes has therefore to be treated as an expenditure in the current fiscal year. In the second place, there is the effect of the recent currency devaluations on our external liabilities as well as on our holdings of gold and our cash balances in New York and London. As hon. members are aware, it is our practice to value our sterling and United States dollar liabilities at the current official rates of exchange and the recent revaluations have been appropriately reflected in our accounts. In regard to our holdings of gold and United States dollars, we have taken into our own accounts only the profit resulting from revaluation of such assets held directly by the Minister of Finance and not the profit from those held on his behalf by the foreign exchange control board, which profit is reflected only in the exchange fund account, an account kept separate, as hon. members know, from the consolidated revenue fund. The net total of the various debits and credits which have

passed through our premium, discount and exchange account as a result of the revaluation of liabilities and assets is a debit or expenditure of about \$12 million.

Including these expenditures, which are in the nature of bookkeeping charges, along with the other probable expenditures of all government departments and agencies, and making due allowance for the inevitable savings in so large and varied a program, I would now estimate that our total expenditures for the year 1949-50 will be of the order of \$2,460 million.

If these over-all estimates of revenues and expenditures prove accurate, our budgetary surplus for the year will amount to around \$90 million. Even after taking into account certain additional tax changes which I shall propose, I believe that the budgetary surplus for the year will be fairly close to the \$87 million which I forecast on March 22 last.

A budgetary surplus of this magnitude would mean, of course, a corresponding reduction in the net debt of Canada. That would bring the total reduction which we have been able to achieve in this and the preceding three fiscal years to about \$1,730 million. Of this achievement we have every right to be proud but, on the other hand, we have no right to be complacent, as under the assumptions made the total net debt of Canada on March 31 next would still amount to about \$11,690 million—surely no inconsiderable burden for a nation of thirteen and a half million people.

In the budget speech of last March I stated that it was particularly difficult this year to estimate the amount of the probable cash surplus. I believe that hon. members are now familiar with the distinction between this concept and the more common term "budgetary surplus", which is simply the excess of revenues over expenditures in the strict accounting sense. If we exclude the non-cash items from both revenues and expenditures, we find that cash revenues are likely to exceed cash expenditures not by \$85 million but by about \$250 million. To this we must add various receipts in pension and trust accounts and similar deferred liability accounts which are likely to run about \$75 million, thus bringing total available cash funds to about \$325 million, before taking account of the proceeds of any sales of government securities held temporarily in our securities investment account. Actually so far this year sales out of this account have amounted to \$445 million.

A substantial part of our available cash resources is required, of course, to make loans, advances and investments which are authorized by legislation and which are car-

ried on our books as active assets. We can make very rough and tentative estimates as to the probable amount of cash required for some of these outlays, including loans for housing, loans to veterans and farmers, loans to the Canadian National Railways and other crown corporations, and for the current fiscal year I now estimate that, after taking account of repayments in respect of loans or advances previously made, we will require a net additional outlay of about \$165 million for these purposes. However, I would not like to make even a guess as to the amount of cash we shall have to find to finance our export surplus for the year—using the term "export surplus" in the broad sense as meaning our total surplus on international account. In this connection, we must of course finance the United Kingdom's current drawings of \$10 million a month on its credit less repayments in respect of other export credits previously granted and we also have to provide cash to the foreign exchange control board to finance any addition to our gold and United States dollar reserves resulting from all our transactions on international account. It is only after taking care of all these extra-budgetary requirements that we have available cash to devote to the reduction of our outstanding debt.

In this connection I wish to refer very briefly to the notable record of financing for which this government has been responsible already this fiscal year.

In the United States market the government of Canada had a strikingly successful flotation in the latter part of August. To provide United States funds with which to redeem three called issues bearing our guarantee, two of the Canadian National Railways and one of the national harbours board, we offered \$100 million of our 2½ per cent bonds at a price of 100.25 to the public and the issue was immediately oversubscribed. To the best of my knowledge, this was the cheapest long-term borrowing ever done not merely by the government of Canada but by any foreign government in the United States market.

In the domestic market, aside from the normal refunding of various issues of short-term securities, we have arranged for the redemption or refinancing of a very heavy volume of security issues which have either matured or been called for payment in order to take advantage of lower interest rates. On September 2 we redeemed out of cash \$100 million deposit certificates held by the chartered banks. On October 1 we paid off from our cash resources \$324.9 million of 3 per cent second war loan bonds due October 1, 1952, but called for payment at the earliest

call date. On November 1 there will come due \$267.8 million of 1½ per cent eighth victory loan bonds and there have been called for payment on the same day \$289.7 million of 4½ per cent conversion loan bonds due November 1, 1959. To provide cash in part to redeem these two issues totalling \$557.5 million, the government has arranged for the sale to the Bank of Canada and the chartered banks of \$300 million of 1½ per cent three year bonds due November 1, 1952, at a price to yield 1.69 per cent. It should be realized that this \$300 million short-term issue replaces a substantially larger amount of the called and maturing issues previously held by the banking system and therefore represents a contraction rather than an expansion of bank financing. The remaining cash required to pay off the called and maturing securities will be provided from the treasury. Our depleted cash balances will be replenished in part from the proceeds of the fourth series of 2¾ per cent Canada savings bonds which went on sale on Monday. In this connection I wish again to pay my tribute to the splendid work which has been done both by voluntary and professional workers in promoting the sale of the various series of these bonds and again to appeal to hon. members and others to give their enthusiastic support to the present campaign. I am happy to say that our first reports indicate that sales through the payroll savings plan will be higher than in any previous campaign. This seems to confirm our belief that wage and salary earners as well as the general public welcome the continuing opportunity for systematic saving afforded by these offerings.

Apart from this fourth issue of Canada savings bonds, the government has decided not to make any general public offering of its securities during the present fiscal year.

To summarize the end result of these domestic financial operations, the government has during the last few months provided for the redemption of \$982.4 million of its outstanding securities which had matured or were called for payment in order to take advantage of lower interest rates. To the extent of \$682.4 million, it was able to do so out of its cash surplus and the proceeds of sales of securities out of the securities investment account, the account in which the government temporarily holds some of its own securities rather than holding larger cash balances.

TAX PROPOSALS

Our four preceding post-war budgets—those of 1945, 1946, 1947 and 1948—were all brought down at times when shortages of commodities, materials and men were either acute or serious, and when the fundamental

economic conditions called for anti-inflationary policies. The 1949 prospects were different. Production, employment and incomes were at very high levels—indeed, at record levels—but over most sectors of our economy production and demand had come into better balance and the post-war price inflation had passed its peak. The international economic position, while still difficult and full of uncertainties, had improved greatly, production in Europe and in other overseas areas had shown a gratifying improvement, and our own balance of payments position had shown a remarkable recovery from the low point of December, 1947. The principal area still affected by shortages and inflationary pressures was the field of capital construction and housing.

Under these conditions, it was appropriate that we should modify our fiscal policy by moderating its anti-inflationary aspects and aiming at a closer balance in over-all revenues and expenditures. On the expenditure side, in addition to practising the most careful economy and efficiency in all departments, it seemed wise for the immediate present to continue the policy of postponing wherever practicable all major construction work under our control, except in those few areas where some local unemployment was coming into evidence. On the revenue side, we could propose tax reductions which would bring revenues within a safe margin of total expenditures.

Having decided on a general policy of limiting expenditures and reducing taxes, our next question was where should the major tax reductions be concentrated. The supply of consumer goods had come pretty well into balance with even the very high level of consumer demand, but boom conditions and inflationary pressures still characterized the capital goods field. It therefore seemed appropriate to concentrate the tax reductions in the field of consumer incomes and consumer purchasing. At the same time we were anxious to initiate certain changes in the corporation tax field with a view to encouraging small businesses and reducing the element of double taxation that exists on corporate profits and personal incomes received in dividends with a view to stimulating equity financing.

These are the main considerations that were in our minds as we prepared the 1949 budget, and as I have already said, conditions have not altered sufficiently to warrant any significant changes in our tax proposals.

I can now summarize briefly the tax changes which I proposed last March, and which I am reintroducing this evening, together with a few additions and some

revisions. In accordance with the traditional practice most of these changes became effective on the night of the budget, subject of course to later parliamentary approval.

First, as to the personal income tax, it was proposed that the personal exemptions, which have been \$750 for single persons and \$1,500 for married persons, be increased to \$1,000 and \$2,000 respectively; that the exemption in respect of children eligible for family allowance be increased from \$100 to \$150, and in respect of other dependents from \$300 to \$400; that the schedule of rates applicable to various levels of income be substantially lowered; and that the exemption from the extra tax on investment income be raised from \$1,800 to \$2,400. All these changes were to be effective from January 1, 1949.

There are, as the house will recall, a great many individual employees for whom tax deductions were made at the source by their employers during the first few months of this year but who now will have no income tax liability for 1949. It had been intended to expedite refunds to these individuals during the spring and early summer months. However, the dissolution of parliament before the budget legislation had been passed made it impossible to do so. Work, however, has gone ahead in preparing for the issuance of these refund cheques and they are now ready for mailing. They will be mailed just as soon as parliament approves the legislation.

Our only record of those persons entitled to refunds is their name and that of their employer. The cheques, therefore, will be made out in the name of the individual concerned but will be mailed to the employer through whom the deduction was made. Individuals affected, who have changed employers since last March, should therefore apply to their former employer for the refund cheques. Employers who find themselves unable to deliver these cheques to the proper persons will return them to their local district income tax offices and we shall then endeavour to locate the payees.

I repeat, however, that no cheques can be issued until after the legislation has been passed and employees should not apply to their employers until after that date.

In the second place, no changes were proposed in respect of succession duties, since the 1948 budget completely exempted all estates up to \$50,000.

Thirdly, substantial changes were proposed in the corporation income tax. Instead of the former flat rate of 30 per cent, it was proposed to make the rate 10 per cent on the first \$10,000 of income and 33 per cent on all income in excess of \$10,000. I had proposed also that individuals be granted a credit against their personal income tax equal to

10 per cent of the dividends they receive from common shares of Canadian taxpaying corporations. This proposal has received a great deal of constructive criticism in the press and I have had a considerable number of representations from a variety of sources, some asking for clarification and others pointing out practical difficulties in the proposal as it stood or making constructive suggestions. As a result of these representations and public discussion, I am prepared to modify the application of my proposal by extending the 10 per cent tax credit to include dividends from all classes of shares, both common and preferred.

This change will remove a great many technical difficulties and anomalies which would have arisen in attempting to administer my original proposal of limiting the tax credit solely to shares "having no preference of any kind". It recognizes the fact that it is extremely difficult, if not indeed logically impossible, to determine where the burden of double taxation finally rests under a good many complicated capital structures used in modern corporate financing. Finally, it is calculated to accomplish the real objective which I was seeking of encouraging equity investment and thereby lessening the incentive to finance corporate enterprise by undue reliance on borrowed capital.

I might add that while it is difficult to measure precisely the loss of revenue resulting from this modification, I believe that it will not exceed \$1 million a year.

It was also proposed to extend the present three-year period for the carrying forward of losses to a five-year period. There were in addition proposals respecting depreciation allowances, respecting expenditures on oil, mineral and gas exploration, and respecting a number of other minor or technical matters. All these changes were to be effective from January 1, 1949. I understand from my colleague, the Minister of National Revenue, that drafting of the regulation providing for the new depreciation allowances is practically completed and that it will be promulgated as soon as the bill to amend the Income Tax Act has been passed.

Fourthly, no further changes were proposed in the customs tariff. I informed the house last March that new trade and tariff negotiations were to be started in April with a number of countries at Annecy. The results of these negotiations were officially announced last week, and the new rates of duty will be put into effect by order in council in accordance with the procedure laid down in the Customs Tariff Act. Their effective date will be January 1, 1950, or as soon after that date as the other countries concerned are able to take reciprocal action.

In my budget address of last March I said that it was the policy of the government to seek another trade agreement with the United States, similar to those entered into in the past, in which we would attempt to secure a further reduction in trade barriers between our two countries. The Reciprocal Trade Agreements Act has now been renewed by the United States congress. In commenting with approval on this action by the congress, President Truman made these remarks respecting the policy of his government:

From the long range standpoint it is clear that only by a large expansion of our purchases of foreign goods will the needed readjustment in international economic relations be possible, on a basis consistent with a liberal world trading system and the richer world it offers.

We must reduce our own barriers, wherever possible, to permit our people the freest access to the foreign goods they may want to buy. The maintenance and the enlargement of our export markets are impossible without a substantial expansion of our imports.

This leadership given by the President of the United States in the task of removing barriers to world trade is most encouraging.

Plans are now under way as the house is aware for another set of multilateral trade negotiations during the course of next year, under the procedures established in the general agreement on tariffs and trade. At that time we shall seek to negotiate further tariff reductions with the United States and with the other signatories of the Geneva agreements.

Finally, in my budget proposals of last March extensive revisions, reductions and removals of taxes were proposed in the field of commodity taxes. These included the complete repeal of the special taxes on soft drinks, candy, chewing gum, transportation tickets and telephone, telegram and cable charges. Special taxes on jewelry, watches, cosmetics, luggage, cigarette lighters and sundry smokers' supplies were to be reduced from the former rates of 25 per cent or 35 per cent to a straight 10 per cent. The structure of the tax on matches was to be recast and reduced. These changes in commodity taxes were to be effective as from March 23, 1949, and since that date collections have been on the reduced basis.

In addition to these commodity tax reductions, I have two new proposals to make. I propose that, effective midnight tonight, the sales tax be removed on all fuel oils, that is, on all petroleum-based oils used for heating or lighting in homes or in industry, but not including fuels used in internal combustion engines. There is at present no sales tax on coal, coke, wood, gas or electricity, and there has been some element of discrimination in keeping it on these fuel oils both for domestic

and industrial use. The removal of this tax on fuel oils will reduce costs of production and remove the element of discrimination in those industries, particularly certain sections of the pulp and paper and steel industries, where fuel oil rather than coal is the principal fuel used. It should serve as well to enlarge the market for oil producers in western Canada who are now reaching the position where current output exceeds their present marketing facilities. It should also largely offset the recent price increases arising out of the premium on the United States dollar. For all these reasons I think it appropriate to make this change at this time. Our loss in revenue from this tax change will be about \$10 million in a full year and about \$4 million in the balance of this fiscal year.

I have one other minor change to suggest which I am making now as it may be of assistance in enabling the apple industry to dispose of an additional quantity of apples. The proposal is that the present tax on cider and other wines containing less than 7 per cent of proof spirits be reduced by one-half, that is, from 50 cents a gallon to 25 cents a gallon. The loss of revenue, if any, which we will forgo as a result, will be very small.

You will recall, Mr. Speaker, that at an earlier point in my remarks I estimated that had no changes been made in the tax structure we had in effect last year, our total revenues for the current fiscal year would probably amount to about \$2,885 million. Our revised estimates of the loss of revenue occasioned by the tax changes I proposed last March indicate a total reduction of about \$376 million in a full year and of about \$335 million in the current fiscal year. The additional tax changes which I have proposed this evening are expected to cause a further revenue reduction of about \$11 million in a full year and about \$5 million in the current fiscal year. However, as I said a few minutes ago, even after taking into account the effect of the additional tax changes I have just announced, total revenues for the current year are likely to be maintained at a figure which, after deducting the total expenditures I have estimated, will produce a budgetary surplus very close to the \$87 million which I forecast last March.

With the consent of the house, I now wish to place on *Hansard* a table showing our forecast of probable revenues from each major source before taking account of any tax changes, the probable loss of revenue caused by the major tax changes, and the resultant probable revenues for the year 1949-50.

Revised Forecast of Revenue for Fiscal Year 1949-50 Taking Account of Proposed Tax Changes

	Forecast of revenue before tax changes	Reduction in revenue in fiscal year 1949-50 resulting from budget proposals	Revised forecast of revenue for 1949-50
Customs Import Duties	\$ 235,000,000		\$ 235,000,000
Excise duties	215,000,000		215,000,000
Sales tax (net)	410,000,000	\$ 4,000,000	406,000,000
Other excise taxes	260,000,000	92,000,000	168,000,000
Personal income tax	855,000,000	252,000,000	603,000,000
Corporation income tax	580,000,000	8,000,000	588,000,000
Interest and dividends	48,000,000		48,000,000
Succession duties	26,000,000		26,000,000
Miscellaneous taxes	4,000,000		4,000,000
Total tax revenue	2,633,000,000	340,000,000	2,293,000,000
Non-tax revenue	202,000,000		202,000,000
Total ordinary revenue	2,835,000,000	340,000,000	2,495,000,000
Special receipts	50,000,000		50,000,000
Total revenue	2,885,000,000	340,000,000	2,545,000,000

There is little that I need add, Mr. Speaker, by way of conclusion. The budget resolutions which I am now tabling differ only slightly from those which I tabled last March. They represent, both as to general policy and as to practical substance, a program which seems to have commended itself to all sections of the country—a program upon which the people of Canada, after careful reflection, have already placed the overwhelming stamp of their approval.

I beg leave to table the resolutions:

THE EXCISE TAX ACT

Resolved that it is expedient to introduce a measure to amend the Excise Tax Act and to provide:

1. That the following excise taxes be repealed, namely, the excise taxes on:

- soft drinks;
- chocolate, candy, and confectionery;
- chewing gum;
- cable, telegraph, and telephone messages, and on telephone extensions;
- transportation tickets or rights of transportation, and on seats, berths, or other sleeping accommodation;
- motor buses; and
- carbonic acid gas.

2. That the retail purchase tax be repealed and replaced by an excise tax of 10 per cent, payable by the manufacturer or importer, on all articles now subject to the retail purchase tax.

3. That the following excise taxes be reduced from 35 per cent to 10 per cent, namely, the excise taxes on:

- trunks, suitcases, bags, and luggage of all kinds;
- ash trays, tobacco pipes, and smokers' accessories; and
- fountain pens, propelling pencils, and desk accessories.

4. That the following excise taxes be reduced from 25 per cent to 10 per cent, namely, the excise taxes on:

- toilet articles;
- devices commonly or commercially known as lighters; and
- coin, disc, or token operated machines and vending machines.

5. That the sales tax on the following articles be repealed: lactose; malt syrup except when sold for beverage purposes; diesel powered self-propelled trucks, mounted on rubber tired wheels, for off highway use exclusively at mines and quarries, and complete parts thereof.

6. That the rates of excise tax on matches be amended from the present specific proportionate rate of tax on each package, to an ad valorem tax of 10 per cent.

7. That the present specific tax of 5c per pound on tires and tubes be amended to an ad valorem tax of 10 per cent.

8. That the sales tax on the following articles be repealed: liquid fuel for lighting or heating, but not including fuel when for use in internal combustion engines; crude oil to be used for the production of fuel.

9. That the excise tax on wines containing not more than 7 per cent of proof spirit be reduced from 50 cents per gallon to 25 cents per gallon.

10. That paragraphs 1 to 7 shall have effect on and after March 23, 1949, and paragraphs 8 and 9 shall have effect on and after October 21, 1949.

INCOME TAX

Resolved that it is expedient to amend the Income War Tax Act and the Income Tax Act and to provide, amongst other things:

1. That, for the 1949 and subsequent taxation years, the following shall be the exemptions from individual income tax:

- \$2,000 in the case of a married person and persons allowed a deduction equivalent to that of a married person and \$1,000 in the case of all other persons; and

(b) \$400 in the case of dependents not eligible for family allowances, \$150 in the case of children eligible for family allowances.

2. That, for the 1949 and subsequent taxation years, the schedule of graduated rates for individual income tax be replaced by the following schedule:

On the first \$1,000 of income or any portion thereof, 15 per cent per annum; or

\$150 upon the income of \$1,000; and 17 per cent upon the amount by which the income exceeds \$1,000 and does not exceed \$2,000; or

\$320 upon the income of \$2,000; and 19 per cent upon the amount by which the income exceeds \$2,000 and does not exceed \$4,000; or

\$700 upon the income of \$4,000; and 22 per cent upon the amount by which the income exceeds \$4,000 and does not exceed \$6,000; or

\$1,140 upon the income of \$6,000; and 26 per cent upon the amount by which the income exceeds \$6,000 and does not exceed \$8,000; or

\$1,660 upon the income of \$8,000; and 30 per cent upon the amount by which the income exceeds \$8,000 and does not exceed \$10,000; or

\$2,260 upon the income of \$10,000; and 35 per cent upon the amount by which the income exceeds \$10,000 and does not exceed \$12,000; or

\$2,960 upon the income of \$12,000; and 40 per cent upon the amount by which the income exceeds \$12,000 and does not exceed \$15,000; or

\$4,160 upon the income of \$15,000; and 45 per cent upon the amount by which the income exceeds \$15,000 and does not exceed \$25,000; or

\$8,660 upon the income of \$25,000; and 50 per cent upon the amount by which the income exceeds \$25,000 and does not exceed \$40,000; or

\$16,160 upon the income of \$40,000; and 55 per cent upon the amount by which the income exceeds \$40,000 and does not exceed \$60,000; or

\$27,160 upon the income of \$60,000; and 60 per cent upon the amount by which the income exceeds \$60,000 and does not exceed \$90,000; or

\$45,160 upon the income of \$90,000; and 65 per cent upon the amount by which the income exceeds \$90,000 and does not exceed \$125,000; or

\$67,910 upon the income of \$125,000; and 70 per cent upon the amount by which the income exceeds \$125,000 and does not exceed \$225,000; or

\$137,910 upon the income of \$225,000; and 75 per cent upon the amount by which the income exceeds \$225,000 and does not exceed \$400,000; or

\$269,160 upon the income of \$400,000; and 80 per cent upon the amount by which the income exceeds \$400,000.

3. That, for the 1949 and subsequent taxation years, there may be deducted from tax payable by an individual resident in Canada 10 per cent of the amount of his income that is from dividends on shares in a corporation resident in Canada that was liable to corporation tax in the taxation year: Provided that in the case of dividends deemed to have been received from a personal corporation the deduction shall only be 10 per cent of that part of the income deemed to have been received by the shareholder as a dividend that the income of the corporation derived from dividends is of the whole income of the corporation.

4. That, with respect to income of corporations earned on and after January 1, 1949, the present rate of tax of 30 per cent shall be reduced to 10 per cent on the first \$10,000 of income and increased

to 33 per cent on income in excess of \$10,000 with corresponding changes in the rates in the case of consolidations.

5. That interest on unpaid taxes on incomes of the 1948 and subsequent taxation years for which no assessments have been issued will cease to accrue twelve months after the date for filing the return in place of twenty months.

6. That, for the 1949 and subsequent taxation years, the business losses that may be deducted from income shall include losses sustained in the five years preceding and the year following the taxation year in the place of the three years preceding and the year following the taxation year.

7. That, for the purpose of computing income of the 1948 and subsequent taxation years of a member of the clergy or of a religious order or a regular minister of a religious denomination there may be deducted the value of the residence or other living accommodation enjoyed by him as such member or minister to the extent that it would otherwise be included in his income or the rent paid by him for or the fair rental value of such a residence or living accommodation.

8. That, for the 1949 and subsequent taxation years, the exemption from income of an individual in respect of a spouse supported by him shall not be reduced because of exempt income of the spouse.

9. That, for the 1949 and subsequent taxation years, all amounts whether in the form of lump sums or otherwise, received by employees from their employers, whether before, during or after their employment, shall be included in computing income of the employee unless it is established that they cannot reasonably be regarded as consideration for entry into the employment, remuneration for services or consideration for restrictions on the activities of the employee.

10. That, for the 1949 and subsequent taxation years, payments made for a wheel chair may be included in the medical expenses for which a deduction from income may be made for the purpose of computing taxable income.

11. That, for the 1949 and subsequent taxation years, \$500 may be deducted from income for the purpose of computing taxable income of a taxpayer who, throughout the whole of the taxation year, was necessarily confined by reason of illness, injury or affliction to a bed or wheel chair.

12. That special deductions from income to taxpayers engaged in exploring or drilling for natural gas, oil or minerals be allowed for expenses incurred in the 1950, 1951 and 1952 operations on the same basis as for expenses in 1949 operations.

13. That special deductions from taxes to taxpayers engaged in exploring or drilling for oil for expenses incurred on deep-test oil wells be allowed for such expenses in 1950 operations on the same basis as for such expenses in 1949 operations.

14. That the provision for the exemption of income derived from a metalliferous or industrial mineral mine that came into production during the calendar years 1946 to 1949 inclusive during the period of thirty-six months after the mine came into production be extended to exempt income from such mines that come into production during the calendar years 1950, 1951 and 1952.

15. That tax concessions under Statutes of Newfoundland shall not apply in respect of taxes imposed by any act of the parliament of Canada.

APPENDIX
TO
THE BUDGET, 1949-50

Budget Papers presented by the
Honourable D. C. Abbott, M.P., for the
information of Parliament on the occasion of the
Budget of 1949-50

BALANCE SHEET OF CANADA, FOR FISCAL YEAR ENDED
MARCH 31, 1949

SUMMARY OF REVENUES AND EXPENDITURES FOR THE
FIVE FISCAL YEARS 1944/45 TO 1948/49

DETAILED TABLES OF REVENUES AND EXPENDITURES FOR THE FIVE
FISCAL YEARS 1944/45 TO 1948/49

THE GOVERNMENT OF CANADA BALANCE SHEET AS AT MARCH 31, 1949

Liabilities—

Floating Debt—

Matured Funded Debt Outstanding.....	\$ 35,873,098 41	
Notes and other obligations payable on demand.....	252,013,791 35	
Interest due and outstanding.....	81,998,853 34	
Outstanding cheques and warrants.....	73,911,985 06	
Post Office Account.....	6,902,102 70	
		\$ 450,699,830 86

Deposit and Trust Accounts—

Post Office Savings Bank.....	37,741,388 62	
Indian Trust Funds.....	18,642,641 60	
Miscellaneous.....	51,116,553 67	
		107,500,583 89

Insurance, Pension and Guaranty Accounts—

Government Annuities.....	501,737,659 00	
Insurance and Guaranty Funds.....	69,895,221 27	
Pension and Retirement Funds.....	146,382,809 20	
		718,015,689 47

Deferred Credits..... 4,350,636 00

Sundry Suspense Accounts..... 59,617,634 02

Province Debt Accounts..... 11,919,968 64

Reserve for certain contingent liabilities..... 13,262,872 58

Funded Debt Unmatured—

Payable in Canada—

Bonds, Deposit Certificates, Treasury Bills and Notes..	15,107,363,908 81
Refundable Portion of Excess Profits Tax (estimated) ..	170,416,412 68

15,277,780,321 49

Payable in London..... 9,256,258 44

Payable in New York..... 298,000,000 00

15,585,036,579 93

16,950,403,795 39

Assets—

Cash and other Current Assets—

Cash in Current and Special Deposits.....	\$ 90,671,288 59
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Other Liquid Assets—

Foreign Exchange Control Board Cash and Securities...	1,071,192,875 33
Securities Investment Account.....	455,769,619 14

Working Capital Advances—

Departmental.....	21,919,461 41
Crown Corporations.....	20,705,420 54

\$ 1,660,258,665 01

Loans to, and Investments in, Crown Agencies—

Bank of Canada—Capital Stock.....	5,920 000 00
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Central Mortgage and Housing Corporation—Capital and

Loans..... 115,500 000 00

Canadian Farm Loan Board—Capital Stock and Loans... 22,172,357 00

Railway and Steamship Companies—Loans..... 764,792,373 38

Miscellaneous..... 150,551,533 41

1,058,936,263 79

Other Loans and Investments—

To Provincial and Municipal Governments..... 102,369,003 12

The United Kingdom and Other Governments..... 1,923,783,302 78

Canada's subscription to capital of—

International Monetary Fund..... 300,003,150 00

International Bank for Reconstruction and Development 65,035,750 00

Miscellaneous..... 187,415,470 07

2,578,606,675 97

Province Debt Accounts..... 2,296,151 87

Deferred Charges—Unamortized Discounts and Commissions on Loans..... 65,784,892 49

Sundry Suspense Accounts..... 54,256,182 66

Total Active Assets..... 5,420,138,831 79

Less—Reserve for possible losses on ultimate realization of active assets..... —245,869,188 38

5,174,269,643 41

Net debt—

Non-active Assets—

Capital Expenditures..... 1,051,576,512 74

Other..... 564,329,772 21

Consolidated Deficit Account..... 10,160,227,867 03

11,776,134,151 98

16,950,403,795 39

SUMMARY OF REVENUES AND EXPENDITURES

(in millions of dollars)

	FISCAL YEAR ENDED MARCH 31				
	1945	1946	1947	1948	1949
	\$	\$	\$	\$	\$
REVENUES					
Ordinary revenues.....	2,300.1	2,363.2	2,588.5	2,629.8	2,649.1
Capital refunds.....	0.7	0.4	0.1	0.1	0.1
Special receipts and other credits.....	386.5	649.6	419.3	241.8	122.2
Total Revenues.....	2,687.3	3,013.2	3,007.9	2,871.7	2,771.4
EXPENDITURES					
Ordinary expenditures.....	767.4	1,061.9	1,236.2	1,380.0	1,573.4
Capital expenditures.....	3.2	4.5	11.2	15.7	18.5
War, demobilization and reconversion expenditures.....	4,418.4	4,002.9	1,314.8	634.4	425.6
Special expenditures.....	7.5	17.4	31.9	63.1	34.8
Government-owned enterprises.....	1.3	1.3	10.7	18.7	39.7
Other charges, including the write down of assets.....	47.8	48.2	29.4	83.7	83.9
Total Expenditures.....	5,245.6	5,136.2	2,634.2	2,195.6	2,175.9
Budgetary Surplus or Deficit (—).....	—2,558.3	—2,123.0	373.7	676.1	595.5

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS
(Thousands of Dollars)

	1944-45	1945-46	1946-47	1947-48	1948-49
	\$	\$	\$	\$	\$
TAX REVENUE—					
Direct Taxes—					
Direct Taxes on Incomes—					
Individual Income Tax.....	767,755	691,586	694,530	659,828	762,564
Tax on Interest and Dividends....	27,053	26,824	28,428	33,929	40,965
Taxes on Rents and Royalties.....	1,546	1,486	1,708	1,960	2,480
Corporation Income Tax.....	276,404	217,834	238,792	364,131	491,990
Excess Profits Tax.....	465,805	494,196	448,698	227,030	44,792
Total Direct Taxes on Incomes..	1,538,563	1,431,926	1,412,156	1,286,878	1,342,791
Succession Duties.....	17,251	21,447	23,576	30,828	25,550
Total Direct Taxes.....	1,555,814	1,453,373	1,435,732	1,317,706	1,368,341
Indirect Taxes—					
Customs Import Duties.....	115,091	128,877	237,355	293,012	222,975
Excise Duties—					
Spirits, malt, etc.....	72,133	91,274	97,820	97,675	101,105
Cigars, cigarettes and tobacco....	83,142	98,228	101,163	102,116	106,241
Licences.....	37	39	40	37	39
Less refunds.....	-3,390	-2,815	-2,979	-3,034	-2,733
Total Excise Duties..	151,922	186,726	196,044	196,794	204,652
Excise Taxes—					
Taxes on Commodities—					
Sales Tax.....	404,109	326,253	328,073	383,012	390,174
War Exchange Tax.....	98,164	41,198	338		
Automobiles, rubber tires and tubes.....	6,480	6,701	16,340	31,949	36,943
Beverages.....	19,442	16,657	18,635	23,767	27,689
Candy and chewing gum.....	12,874	11,904	13,277	18,279	19,888
Cigars, cigarettes and tobacco....	62,306	70,229	76,318	68,606	77,665
Cigarette papers and tubes.....	6,658	4,645	6,943	6,419	6,999
Electric and gas appliances.....	4,057	1,272	7	2,824	3,894
Furs.....	5,217	4,976	3,102	3,139	3,693
Gasoline.....	29,671	29,836	36,220	2,208	
Matches and lighters.....	3,117	3,675	4,088	3,967	3,412
Phonographs, radios and tubes....	1,112	646	2,526	5,325	3,562
Special excise on importations....	545	787	1,185	2,113	279
Sugar.....	11,744	9,974	11,339	10,572	
Toilet preparations and soaps.....	6,347	7,107	7,522	7,146	7,757
Trunks, bags, luggage, etc.....	4,134	4,711	5,710	4,962	5,565
Wines.....	1,772	2,066	2,394	2,342	2,060
Sundry.....	2,977	3,811	5,109	4,716	4,700
Taxes on Amusements and Services—					
Amusements.....	12,284	13,387	14,552	15,369	2,483
Tax on pari-mutuel bets.....	1,904	2,188	2,510	2,519	105
Transportation and communication	24,205	26,893	27,931	27,531	29,034
Stamps, including payment of taxes					
on jewellery, chinaware, cabaret					
attendance, etc.....	18,296	21,697	24,437	24,300	22,725
Licences, interest and miscellaneous	369	302	313	376	382
Less refunds (mainly sales tax)....	-194,719	-114,005	-29,845	-10,683	-12,871
Total Excise Taxes.....	543,065	496,910	579,024	640,758	636,138
Other Taxes—					
Chartered bank note circulation....	350	270	220	188	166
Insurance Companies.....	7,182	7,951	8,796	3,004	3,339
Miscellaneous.....	702	751	690	613	531
Total Indirect Taxes.....	818,312	821,485	1,022,129	1,134,369	1,067,801
Total Revenue from Taxes.....	2,374,126	2,274,858	2,457,861	2,452,075	2,436,142

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*
(Thousands of Dollars)

	1944-45	1945-46	1946-47	1947-48	1948-49
	\$	\$	\$	\$	\$
NON-TAX REVENUE—					
Post Office.....	66,056	68,613	72,978	77,759	80,604
Return on Investments.....	60,749	70,915	69,439	75,800	107,889
Bullion and coinage.....	4,586	4,954	2,098	1,731	3,253
Premium, discount and exchange.....				3,736	
Other.....	14,080	16,322	16,355	18,745	21,202
Total Non-tax Revenue.....	145,471	160,804	160,870	177,771	212,948
Total Ordinary Revenue.....	2,519,597	2,435,662	2,618,731	2,629,846	2,649,090
SPECIAL RECEIPTS AND CREDITS—					
Refunds of previous years' Special Expenditure.....	53	20	10	7	16
Special Receipts—War and Demobilization.....	352,918	626,616	412,763	225,757	117,121
Donations to the Crown.....	177	161	170	138	69
Canadian Wheat Board—					
Reduction in Reserve Account.....	589				
Surpluses in certain special accounts.....	2,625		1,762	16	121
Canadian National Railways—					
Net credit due to increase in Canadian National Railways Securities Trust Stock (contra).....	22,400	22,631			
Investment in Crown plants transferred to Active Assets.....	7,143	174	2,053	3,704	2,528
	385,905	649,602	416,758	229,622	119,855
Capital and Non-active Accounts—					
Capital Accounts—					
Refunds of previous years' expenditure.....	728	376	110	61	82
Non-active Accounts—					
National Harbours Board, reduction of indebtedness.....	19		10	82	
1936 and 1937 Saskatchewan Seed Grain Loans Guarantees—					
Adjustment pursuant to The Western Provinces Treasury Bills and Natural Resources Settlement Act, 1947.....				9,773	
Canadian National (West Indies) Steamships, Limited, reduction of indebtedness...	549		1,105	256	
Transfer to Consolidated Deficit Account from Capital Accounts.....				158	
Write-downs to Consolidated Deficit Account—					
Canadian National Railways Securities Trust Stock—reduction due to retirement of equipment during calendar years 1946 and 1947.....			1,308	1,885	
Seed Grain and Relief Loans..	36	45	54	63	45
Total Capital and Non-active Accounts	1,332	421	2,587	12,278	2,450
Total Special Receipts and Credits....	387,237	650,023	419,345	241,900	122,305
Total Revenue.....	2,906,834	3,085,685	3,038,076	2,871,746	2,771,395
Less estimated amount of refundable Income and Excess Profits Taxes....	219,500	72,500	30,200		
Net Total Revenue.....	2,687,334	3,013,185	3,007,876	2,871,746	2,771,395

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS

(Thousands of Dollars)

	1944-45	1945-46	1946-47	1947-48	1948-49
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE					
Agriculture.....	9,424	10,319	13,300	16,311	20,376
Auditor General's Office.....	361	379	390	395	533
Civil Service Commission.....	461	479	593	665	771
External Affairs.....	1,910	4,522	5,128	7,195	8,676
Finance—					
Interest on Public Debt.....	318,995	409,134	464,395	455,455	465,138
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions.....	20,679	22,311	12,139	10,914	9,745
Premium paid on redemption of called bonds.....		5,842	271	35	9
Subsidies to Provinces.....	14,445	14,447	14,383	33,394	17,095
Miscellaneous Grants and Contributions	531	617	95	113	147
Civil Pensions and Superannuation....	325	293	253	224	190
Government contribution to Superannuation Fund.....	2,341	2,696	3,161	3,488	4,050
Old Age Pensions, including pensions to blind persons.....	32,187	(1) —	(1) —	(1) —	(1) —
Premium, Discount and Exchange....	16,348	14,734	9,172		
Compensation to Provinces under Dominion-Provincial Taxation Agreements—					
Income and Corporation Taxes.....	82,977	94,343	94,380	122,497	84,387
Gasoline Tax.....	10,357	3,709			
Administrative and Sundry Expenditure.....	4,724	7,569	9,599	11,313	14,729
Fisheries.....	2,159	3,262	3,599	4,097	5,158
Governor General and Lieutenant-Governors.....	223	227	252	239	242
Insurance.....	185	199	212	237	263
Justice.....	2,696	2,848	3,194	3,917	4,025
Penitentiaries.....	2,936	3,258	3,806	4,564	5,863
Labour.....	1,446	1,620	2,010	2,319	4,712
Unemployment Insurance Act, 1940—					
Administration.....	5,113	6,185	7,496	17,641	18,965
Government Contribution.....	12,746	12,514	15,200	17,500	20,103
Government Annuities—					
Payments to maintain reserve.....	257	294	977	332	11,408
Legislation—					
House of Commons.....	1,612	2,235	2,786	3,022	2,628
Library of Parliament.....	72	74	90	103	127
Senate.....	485	727	881	946	736
General.....	95	98	167	270	272
Chief Electoral Officer, including elections.....	179	3,091	144	151	287
Mines and Resources—					
Administration.....	168	164	173	268	366
Immigration.....	1,309	1,524	2,047	2,665	5,564
Indian Affairs.....	6,162	4,466	5,948	7,180	10,378
Lands, Parks and Forests.....	1,831	2,689	4,962		
Lands and Development Services.....				5,630	11,863
Surveys and Engineering.....	1,610	1,323	3,444		
Special Projects.....				2,554	126
Mines and Geological Survey.....	1,216	1,303	1,847		
Mines, Forests and Scientific Services.....				5,318	17,970
Munitions and Supply.....	19				
Dominion Fuel Board Administration coal subsidies and subventions.....	2,737	(2) —	(2) —	(2) —	(2) —
National Defence—					
Administration and sundry services....	67	127	253	615	1,127
Pensions—Militia Pensions Act.....	(3) —	(3) —	(3) —	(3) —	4,863
Government contribution to Permanent Forces Pension Fund.....				(4) —	7,867

(1) See Department of National Health and Welfare.

(2) See Department of Reconstruction and Supply or Trade and Commerce.

(3) Included under Veterans Affairs.

(4) Included under Demobilization and Reconversion—Army, Navy and Air Services.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

	1944-45	1945-46	1946-47	1947-48	1948-49
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE—Con.					
National Health and Welfare.....	1,725	7,294	8,616	10,815	14,381
Old age pensions, including pensions to blind persons.....	(⁵) —	33,715	35,928	58,090	66,764
Family allowances.....		172,632	245,141	263,165	270,910
General health grants.....					7,528
National Revenue (including Income Tax).....	20,114	22,630	28,551	37,312	49,323
National War Services.....	838	5			
Post Office.....	54,629	57,730	64,213	67,944	77,643
Prime Minister's Office.....	64	61	88	99	106
Privy Council.....	81	419	808	1,287	4,351
Public Archives.....	124	127	149	157	173
Public Printing and Stationery.....	232	238	293	536	753
Public Works.....	13,169	16,283	26,360	35,545	50,644
Reconstruction and Supply.....	969	2,103	1,932	12,342	3,403
Dominion Fuel Board Administration, coal subsidies and subventions.....	(⁶) —	2,339	1,776	1,143	(⁷) —
Royal Canadian Mounted Police.....	7,183	7,284	8,604	10,406	13,717
Secretary of State.....	864	954	1,157	1,345	1,559
Trade and Commerce.....	5,830	6,356	9,776	10,846	24,778
Dominion Fuel Board Administration coal subsidies and subventions.....					2,164
Mail Subsidies and Steamship Sub- ventions.....	869	994	1,103	(⁸) —	(⁸) —
Transport—					
Administration and general.....	1,390	1,440	1,499	1,973	3,492
Air Service.....	3,939	4,196	5,653	10,390	15,932
Marine Service.....	4,897	4,895	5,963	6,831	8,176
Railways and Canals.....	3,306	3,391	3,702	4,073	5,124
Maritime Freight Rates Act.....	4,733	4,345	4,871	5,090	6,606
Mail Subsidies and Steamship Subven- tions, including Canadian Maritime Commission.....				1,764	2,166
Veterans Affairs—					
Departmental Administration.....	196	1,142	1,680	1,677	2,225
Pensions (World War 1 and military).. Pensions (World Wars 1 and 2 and N.W. Rebellion, 1885).....	39,372	39,996	40,771	41,227	
War services gratuities and re-estab- lishment credits.....	(⁹) —	(⁹) —	(⁹) —	(⁹) —	102,951
Treatment and after-care of returned soldiers and allowances to depend- ents.....	20,228	(⁹) —	(⁹) —	(⁹) —	(⁹) —
Soldiers Settlement and Veterans Land Act.....	19,845	28,551	44,303	46,286	69,937
	1,391	3,160	6,551	8,092	7,885
Total Ordinary Expenditure.....	767,376	1,061,902	1,236,235	1,380,002	1,573,450
CAPITAL EXPENDITURE					
Railways.....	630	2,313	2,654	3,809	3,239
Public Works.....	2,534	2,195	8,546	11,847	15,234
Total Capital Expenditure.....	3,164	4,508	11,200	15,656	18,473

(⁵) See Department of Finance.

(⁶) See Department of Munitions and Supply.

(⁷) See Department of Trade and Commerce.

(⁸) See Department of Transport.

(⁹) See War, Demobilization and Reconversion Expenditure.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

	1944-45	1945-46	1946-47	1947-48	1948-49
	\$	\$	\$	\$	\$
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE					
National Defence—Army, Navy and Air Services.....				189,360	238,915
National Defence—Defence Research.....			4,090	6,024	16,033
National Defence—Army—					
Army Services.....	1,243,733	935,006	208,106		
Internment Operations.....	1,580	1,002	135		
Inspection Board of the U.K. and Canada.....	8,362	6,124			
Inspection Board of Canada.....			2,819		
Sundry.....	8,080	7,446	8,064		
	1,261,755	949,578	219,124		
National Defence—Naval Services.....	417,099	241,759	64,873		
National Defence—Air Services—					
Overseas War Establishment.....	759,070				
Overseas Operations.....		197,076	4,779		
Home War Establishment.....	227,942				
Western Hemisphere Operations.....		108,032	37,697		
Air Training.....	272,342				
Training Organization.....		74,770	11,962		
Repatriation and Demobilization.....		72,153	16,325		
Restricted Servicing Units.....		38,623			
General Servicing Units.....		14,884	17,109		
Surplus Equipment Units.....		815			
Headquarters and Commands Administration.....		17,880	11,315		
Sundry.....	102	97	84		
	1,259,456	524,330	99,271		
Reconstruction and Supply (formerly Munitions and Supply)—					
Administration, reconversion and operation of Crown Companies and/or Crown Plants.....			10,784	1,558	(10) —
Administration.....	8,841	6,858	4,140	1,305	122
Housing development.....			35,323	38,558	1,013
Production and transportation subsidies for Canadian steel producers, etc....	(11) —	(11) —	12,663	7,950	(10) —
Research and development of jet engines and aircraft.....				4,500	(10) —
Expansion of Industry.....	205,039	112,675			
Acquisition of U.K. Assets.....	1,964				
Acquisition of U.S. Assets.....		1,906			
Liquidation of Contracts.....			24,743	1,007	
Termination of Contracts.....		151,846	55,200	6,400	
Other.....	2,932	5,522	4,287	1,056	242
	218,776	278,807	147,140	62,334	1,377
Agriculture—					
Disposal of agricultural products rendered surplus by the war.....	1,194	354	958	7	
Freight assistance on western feed grains.....	15,943	17,317	18,828	20,092	18,154
Fertilizer subventions and freight allowance.....	446	438	283		
Subsidies and bulk purchasing of fertilizer.....				597	
Subsidy on western wheat used exclusively as feed for live-stock.....	7,471	7,864	6,474	4,421	
Subsidy on milk and milk products..	42,330	41,659	36,759	1,861	
Premium on hog carcasses suitable for export to U.K.....	14,091	9,573	4,506	5,474	4,585
To provide for reserve stocks of feed grains.....	715	1,274	1,551	434	
Sundry.....	5,864	4,499	1,757	347	439
	88,054	82,978	71,116	33,233	23,178

(10) See Department of Trade and Commerce.

(11) Included in Expansion of Industry.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

	1944-45	1945-46	1946-47	1947-48	1948-49
	\$	\$	\$	\$	\$
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE—<i>Con</i>					
External Affairs—					
Contribution to International Refugee Organization.....				5,468	5,412
General post UNRRA relief.....				16,927	325
Sundry.....	296	383	837	5	102
	296	383	837	22,400	5,839
Finance—					
Comptroller of the Treasury.....	9,216	9,369	6,072	1,702	(12)
War-time Prices and Trade Board—					
Administration.....	12,720	14,753	12,738	5,794	3,321
Subsidies due to application of Order placing a ceiling over all prices.....	107,338	97,189	88,778	34,341	14,911
Advances for payment of drawback claims to millers and other manufacturers of wheat products.....	19,700	14,750	26,000	17,000	11,000
Advances to the Canadian Wheat Board to cover deficits in certain Board operations.....	13,058		(13) —	(13) —	(13) —
House Conversion Program.....	4,053	1,764	(14) —	(14) —	(14) —
Old Age Pensions increased benefits..	8,788	(15) —	(15) —	(15) —	(15) —
Halifax V-E Day disorders and explosion—					
Payment of claims.....		4,610	2,127		
Expenses of investigations.....		248	161		
Sundry.....	1,646	958	999	363	1,457
	176,519	144,271	136,875	59,200	30,689
Labour—					
Industrial training.....	1,617	701	15		
Training aircraft mechanics.....	333	3			
National Selective Service program..	11,098	11,268	11,230	(16) —	(16) —
Removal of enemy aliens from protected areas.....	2,137	2,203	3,161		
Vocational training for discharged members of the Canadian Armed Forces.....	602	4,365	13,049	6,405	3,472
Vocational Schools — Payments to Provinces.....		607	2,442	3,264	(17) —
Sundry.....	3,877	3,712	2,757	1,723	1,767
	19,664	22,859	32,654	11,392	5,239
Mines and Resources—					
Prince Rupert—Terrace—Cedarvale Highway.....	2,499	8			
Employment of Japanese.....	511	262	45		
Aerial Photography.....	51	572	944	726	851
Sundry.....	2,753	2,633	1,509	1,086	138
	5,814	3,457	2,498	1,812	989
National War Services—					
War Charities—Auxiliary services....	15,933	13,070			
Censorship.....	1,856	859			
Sundry.....	8,193	316	29		
	25,982	14,245	29		
National Health and Welfare—					
Old Age Pensions increased benefits..	(18) —	9,103	9,517	996	(17) —
Sundry.....	1,340	2,135	157	107	31
	1,340	11,238	9,674	1,103	31
Privy Council—					
Canadian Information Service (formerly War-time Information Board)...	1,700	1,229			
Sundry.....	58	43	45	8	
	1,758	1,272	45	8	

(12) Included in ordinary expenditure.

(13) Included in special expenditure.

(14) See Department of Reconstruction and Supply.

(15) See Department of National Health and Welfare.

(16) Included in ordinary expenditure (Unemployment Insurance administration).

(17) Included in ordinary expenditure.

(18) See Department of Finance.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

	1944-45	1945-46	1946-47	1947-48	1948-49
	\$	\$	\$	\$	\$
WAR, DEMOBILIZATION AND RECON- VERSION EXPENDITURE—Con.					
Public Works.....	6,500	6,205	3,651	1,242	.....
Royal Canadian Mounted Police.....	3,709	4,775	1,896	1,627	.....
Trade and Commerce—					
Gift of wheat to Greece.....	6,749	.....	.....	.....	.....
Administration.....	.....	.....	.....	.....	1,000
Administration, reconversion and oper- ation of Crown Companies and/or Crown Plants.....	.....	.....	.....	.....	2,585
Production and transportation subsi- dies for Canadian steel producers, etc.....	.....	.....	.....	.....	7,062
Research and development of jet engines and aircraft.....	.....	.....	.....	.....	2,000
Sundry.....	670	1,772	682	126	1,157
Transport.....	7,419	1,772	682	126	13,804
Acquisition of airfields and works from United States Government.....	16,433	15,013	9,723	6,387	1,637
.....	18,661	.....	.....	.....	.....
Veterans Affairs—					
Treatment—Defence Forces.....	11,449	26,298	50,982	27,130	(17) —
Pensions—Defence Forces.....	11,939	22,200	33,763	40,517	(17) —
Additions, alterations and improve- ments to departmental hospitals, including land purchases.....	5,738	7,371	8,334	6,805	5,095
Post-discharge rehabilitation benefits.....	2,468	32,131	96,762	78,323	44,826
War service gratuities and re-establish- ment credits.....	(17) —	239,585	318,325	84,175	36,148
Sundry.....	1,165	774	273	418	1,181
.....	32,759	328,359	508,439	237,368	87,250
Other Departments.....	2,960	2,453	2,181	805	593
Write-off of Air Training Plan Loans and Advances as per United Kingdom Financial Agreement Act, 1946.....	.....	425,000	.....	.....	.....
Mutual Aid (excluding administration)...	792,200	766,862	.....	.....	.....
Military Relief.....	50,199	34,463	.....	.....	.....
Canada's Contribution to UNRRA.....	11,093	142,852	.....	.....	.....
Total War, Demobilization and Recon- version Expenditures.....	4,418,446	4,002,949	1,314,798	634,421	425,574
SPECIAL EXPENDITURE					
Agricultural and Other Projects.....	3,869	4,423	4,432	5,253	10,489
Prairie Farm Assistance Act, 1939—					
Administration.....	188	327	333	450	402
Advances to Prairie Farm Emergency Fund.....	1,295	12,052	6,597	10,744	8,640
Wheat acreage reduction plan—					
Administration.....	261	159	.....	.....	.....
Payments of awards to farmers.....	1,707	397	2	.....	.....
Deficits—Canadian Wheat Board.....	(19) —	.....	20,562	31,450	4,454
Provision of reserve to meet deficits resulting from the operations of the Canadian Wheat Board not previously provided for.....	186	.....	.....	.....	.....
Subsidies on oats and barley used as feed for live stock—Dept. of Agriculture...	.....	.....	.....	13,963	.....
Reimbursement to Canadian Wheat Board for expenses of regulating deliv- eries of grain—Department of Trade and Commerce.....	.....	.....	.....	733	128

(17) Included in ordinary expenditure.

(19) Deficits charged to the War Appropriation in 1944-45.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(Thousands of Dollars)

	1944-45	1945-46	1946-47	1947-48	1948-49
	\$	\$	\$	\$	\$
SPECIAL EXPENDITURE—<i>Con.</i>					
Reimbursement to Canadian Commercial Corporation for expenses in purchasing materials, etc., on behalf of Dept. of National Defence—Dept. of Trade and Commerce.....				548	776
Fraser Valley, B.C., Flood Area—					
Repairing and reconstructing dykes.....					4,500
Grant for emergency relief and rehabilitation.....					5,000
Repairs to Federal Government structures and telegraph and telephone lines.....					424
Total Special Expenditure...	7,506	17,358	31,926	63,141	34,813
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Deficit Account—					
Prince Edward Island Car Ferry and Terminals.....	773	688	888	932	1,220
Canadian National Railways.....			8,962	15,885	33,533
Trans-Canada Airlines.....				1,370	2,933
National Harbours Board.....	59	86	114	137	238
Total Charged to Consolidated Deficit Account....	832	774	9,964	18,324	37,924
Loans and advances non-active—					
National Harbours Board.....	526	560	718	371	1,739
Total government owned enterprises.....	1,358	1,334	10,682	18,695	39,663
OTHER CHARGES					
Write-down of assets chargeable to Consolidated Deficit Account—					
Reduction of soldier and general land settlement loans.....	325	36	232	3	
Reduction of Veterans' Land Act Loans.....			129	2,097	1,000
Yearly established losses in seed grain and relief accounts—					
Department of Mines and Resources.....	36	45	54	63	45
Cancellation of Canadian Farm Loan Board Capital Stock.....	1	1			
Canadian National Railways Securities Trust Stock—reduction due to retirement of equipment.....			1,308	1,885	
Provision for reserve for possible losses on ultimate realization of Active Assets.....	25,000	25,000	25,000	75,000	75,000
Provision for reserve for conditional benefits under Veterans' Land Act..		464	2,663	4,505	5,631
Canadian National Railway Securities Trust Stock—					
Net Changes in Dominion's equity in Canadian National Railways.....	22,400	22,631			
Transfer from Capital Accounts—to Consolidated Deficit.....				158	2,243
Total other Charge.....	47,762	48,177	29,386	83,711	83,919
Grand Total Expenditures..	5,245,612	5,136,228	2,634,227	2,195,626	2,175,892

